

# fact sheet

## Special Rate Variation Proposal

### Introduction

The community has a clear vision for its future prosperity. Part of that vision was to develop a Community Strategic Plan (CSP) 2013-2028 that helps the council, the community and local businesses better understand what our Local Government Area will look like in 15 years time.

After extensive consultation by Councillors with the community one of the goals of the CSP was to achieve asset sustainability.

Council has identified an annual shortfall in general fund asset renewal expenditure, amounting to \$2.15m. What this means is that there isn't enough money set aside for the maintenance and upgrade of our public roads and bridges, assets and other council owned buildings like sporting facilities, community owned buildings and parks and reserves.

Council is proposing a Special Rate Variation to address this shortfall. Over the next couple of months Armidale Dumaresq Council will consult with the community. In fact the consultation process has already begun with a phone survey and information sessions at local community group meetings attended by Councillors and the General Manager.

The process will provide the Armidale Dumaresq community, including residents, ratepayers, workers, businesses and agencies, an opportunity to be involved and contribute to achieving the community goal of asset sustainability.

### Why is this necessary?

The 2008/9 Review Today Report, an independent review of Council's financial sustainability, found that Council would become unsustainable in the medium term if it continued to operate as it was then, registering on average regular \$2m - \$3m deposits in the general fund.

A number of recommendations were adopted and have been gradually implemented. These initiatives were based on "getting the house in order" before going to ratepayers for special rate increases.

The initiatives involved cutting non essential expenditure, streamlining business efficiencies

and processes to make them more IT enabled, looking at the sale of excess public lands and cutting operational overheads.

During this time Council has reduced staffing numbers from 262 to 230 and reduced non essential expenditure by \$300k. However these continuing initiatives have fallen short of addressing the asset renewal shortfall.

### Special Rate Variation explained

Council has resolved to make application for a Special Rate Variation of 20% (excluding 2.3% Rate Peg) to provide funding for an identified shortfall in the annual renewal maintenance of the community's infrastructure assets. Council will inform ratepayers of the reasons for this action and gauge the level of support for the application. A community engagement strategy has been drafted and is available online. [www.armidale.nsw.gov.au](http://www.armidale.nsw.gov.au)

### Why is a Special Rate Variation needed?

Over the last five years Council has undertaken a comprehensive investigation of the long term financial needs of providing services and maintaining assets. This has shown that Council's existing rating level is \$2.1 million short of what is required to provide existing services and maintain existing assets at current condition. This shortfall over the years has created a backlog of \$11.7 million of works (as of June 2013) required to bring general fund assets (not including water, sewerage and waste) up to satisfactory condition. Assets will continue to further deteriorate at the rate of at least \$2.1 million per year if this situation is not addressed, which may have dire consequences for future generations.

### Rate Pegging

NSW is the only state in Australia where the State Government controls Local Government rate increases. It's called Rate Pegging.

The State usually approves a General Council rate increase of between 3% and 4% which is effectively CPI. The rate approved for the 2013/14 financial year was

3.4% and proposed for 2014/15 at 2.3%.

Unfortunately these rate increases have not kept pace with the real cost of delivering services. Council is paying more for materials and services without the ability (Other than Rate Pegging) to increase revenue to meet these increased costs.

Government levies, for things like fire services, are increasing. The NSW Fire Services Levy paid by Armidale Council has increased at 7.5% on average each year since 1994/95.

Electricity costs have risen approximately 91% over the last five years. Council has also been given extra responsibilities (cost-shifting) by the State, without being given any extra funding to help us provide them.

Each year NSW Councils have found themselves further and further behind, developing what is known as the Infrastructure Renewal Gap.

### What will the Special Rate Variation be spent on?

The additional money will be used for managing Council's existing infrastructure. This includes renewal and ongoing maintenance of assets such as our buildings, roads, bridges, drainage, parks and facilities. Renewal activities extend the life of the asset such as re-sheeting a section of road.

#### What your money will be spent on

- ← Roads and Bridges \$1 million
- ← Drainage \$600,000
- ← Property \$400,000
- ← Parks and Reserves \$150,000

Maintenance includes repairs, painting, replacement of broken fixtures etc.

The additional money will only be used for managing our existing infrastructure. It will not be used for building new infrastructure or providing new or expanded

Services. It will be provided to ensure the asset is kept at its current service level or be removed at its planned replacement time.

### 3 possible scenarios

To raise an extra \$2.15m per year to maintain our infrastructure council need to raise general rates by 20%. For the purposes of comparison the following scenarios exclude annual Rate Pegging which for 2014 has been set a 2.3%.

#### Scenario 1

Special Rate Variation percentage increase of 20%. This would be applied in 2014 for seven years. (This does not include annual Rate Pegging). 81% of ratepayers increases will fall below \$300 P.A.

#### Scenario 2

Special Rate Variation percentage increase of 10% in 2014 for seven years. This would be applied again in the second year (2015) for another seven year period. (This does not include annual Rate Pegging).

#### Scenario 3

There would be no increase to rates other than the annual Rate Pegging increase.

Council does not believe this is a sustainable option.

In late January early February 2014 a letter will be sent out to all ratepayers detailing the amount of increase to your general rates specific to your circumstances.

### Community consultation

Having your say on how we as a community plan for a Special Rate Variation is important.

Council is encouraging written submissions on the three options by January 10, 2014.

There is also a survey that Council is encouraging the community to complete on the website: [www.armidale.nsw.gov.au](http://www.armidale.nsw.gov.au)

A community forum will be held in the Armidale Town Hall in early February 2014.

More information is available on Council's website. [www.armidale.nsw.gov.au](http://www.armidale.nsw.gov.au)



# faq

## Special Rate Variation Proposal

### Q. Why is the Special Rate Variation needed?

The 2008/9 Review Today Report, an independent review of Council's financial sustainability, found that Council would become unsustainable in the medium term if it continued to operate as it was then, registering on average regular \$2m - \$3m deficits in the general fund.

### Q. What measures has council undertaken to improve productivity and address the financial challenge identified?

A number of recommendations were adopted and have been gradually implemented. These initiatives were based on "getting the house in order" before going to ratepayers for special rate increases.

The recommended initiatives involved cutting non essential expenses, business process mapping and re-engineering business processes to make them more IT enabled efficient, looking at the sale of excess public lands and cutting operational overheads.

During this time Council has reduced staffing numbers from 262 to 230 through online service delivery, and through more efficient business processes, it has reduced discretionary expenditure by \$300k. However these continuing initiatives have fallen short of addressing the asset renewal shortfall.

### Q. What are the special rate increase options being considered by council?

3 possible scenarios

To raise an extra \$2.15m per year to maintain our infrastructure council needs to raise general rates by 20%. For the purposes of comparison the following scenarios exclude annual rate

pegging which for 2014 has been set a 2.3%.

#### Scenario 1

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#### Scenario 3

There would be no increase to rates other than the annual rate pegging increase.

Council does not believe this is a sustainable option.

### Q. How long do we keep paying the Special Rate Variation?

The increase will apply for a seven year period, after which Council will need to consult the community on a new Special Rate Variation or the rate will cease.

### Q. What will be the effect of the special rate increase on my rate notice?

Council is very mindful of financial pressures on the community and understand that individual ratepayers want to know the figures. However there are a number of variables making that difficult to accurately calculate this early in the consultation process.

Rates levied have a direct correlation to unimproved land values, which vary within and between rating categories. Council will be required to use new valuations in 2014/15, which will also impact on rates paid.

As the process progresses figures will become clearer and it is Council's intention to write to all ratepayers in mid to late January to provide the exact impact on rates.

As a general indication the following averages have been calculated on a 20% special rate based on 2013/14 rating figures –

Residential rates 24% or \$182.38 per year or around \$3.51 per week.

Business rates 14% or \$646.07 per year or around 12.42 per week.

Farmland rates 26% or \$486.84 per year or \$9.36 per week.

### Q. How much does the farmland category contribute to the total general rates levied?

The percentages for 2013/14 are –

Residential 66% number of assessments 8771

Business 17% number of assessments 573

Farmland 18% number of assessments 898

### Q. What will the additional money raised be spent on?

The special rates that would be generated can only be spent on the purposes that the rates were levied, this is guaranteed. The revenue will be spent in the following areas –

\$100,000 on re-sealing roads

\$400,000 on road rehabilitation

\$300,000 on gravel re-sheeting

\$140,000 on bridges

\$60,000 on unsealed road grading

Around 75% of the above proposed expenditures will be spent on rural roads.

\$600,000 on drainage within the city area

\$150,000 on recreational facilities in the city area  
\$400,000 on property and buildings in the city and rural halls

### Q. Does the proposed increase apply to all charges on my rate notice?

The increase only applies to the General Rate Levy. It does not apply to water, sewer, drainage rates or waste charges.

### Q. What is the process for the special rate variation?

Council needs to advise the Independent Regulatory and Pricing Tribunal (IPART) that it intends to apply for a special rate increase by mid December. Council must undertake consultation with the community on the proposed special rate increases and consider feedback up until a recommendation by Councillors is made and an application is lodged 24 February 2014.

An announcement on the application will be advised to Council by IPART in June 2014, and if approved the increase will be applied to the 2014/15 rating year.

For further information on IPART visit: [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

### Q. Where can I get more information?

Council has a comprehensive engagement plan which is available on council's website. [www.armidale.nsw.gov.au](http://www.armidale.nsw.gov.au)

The website also contains information about the Special Rate Variation and is located in the 'Featured Programs' section of the website.

